
Iowa Legislative Services Agency Fiscal Services

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Future General Fund Revenue Impact of Enacted Legislation

ISSUE

This **Issue Review** presents the most recent Legislative Services Agency estimates of the future direct General Fund revenue impact of previously enacted legislation.

BACKGROUND & METHODOLOGY

The General Assembly may enact legislation during a legislative session that is projected to increase or decrease General Fund revenue in future years.

The Legislative Services Agency reviewed previous estimates for legislative changes with a projected fiscal impact on General Fund revenue over the next ten fiscal years (FY 2008 through FY 2017). In certain instances, updated estimates were available and those estimates are reported here. To be included in this **Issue Review**, a statutory change must have an estimated fiscal impact of at least \$0.5 million in one fiscal year and/or \$1.0 million over five fiscal years. Legislative changes that have the same future year estimated impacts as the impact estimated for FY 2007 are not included.

Once a statutory change is fully implemented, minor subsequent year-to-year differences due to inflation, population, or income growth assumptions are ignored in the interest of clarity. For this reason, once a particular statutory change reaches full implementation it remains at that level unless the statutory change sunsets.

For Internal Revenue Code (IRC) Update acts, only the impacts of Iowa Legislative changes are included in this analysis. The associated federal deductibility impact is not included, as that impact is the result of federal law changes that impact Iowa tax revenue through Iowa's allowance of deductions for federal taxes paid when computing State income tax.

Attachment A presents the impact of legislative changes on the projected revenue for each fiscal year. The estimates present the revenue reduction compared to the revenue projections without the statutory change.

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Attachment B presents the information as incremental changes. That is, the estimated impact of the legislative change in one year compared to the estimated impact for the previous year.

Attachment C presents the source of the estimates. At the time of publication of this *Issue Review*, the source documents can be found at:

- Fiscal Notes: <http://www3.legis.state.ia.us/fiscalnotes/>
- Fiscal Reports: <http://staffweb.legis.state.ia.us/lfb/docs/graybook/graybook.htm>

BUDGET IMPACT

Legislative changes are projected to increase State General Fund revenue in FY 2008 and FY 2009 as a result of the increase in the cigarette and tobacco tax rates implemented mid-March 2007. Beginning with FY 2010, the phase-out of Social Security taxation, the implementation of a senior filing threshold and a sales tax exemption for new web-portal businesses produce net revenue reductions in the following years. The web-portal exemption is projected to expire after FY 2012 and the Social Security and filing threshold changes reach full implementation in FY 2015.

The following table presents a summary of the legislative changes outlined in **Attachments A, B, and C**.

Future Estimated Fiscal Impact of Previously Enacted Legislation		
State General Fund Only - In Millions of Dollars		
	Fiscal Impact by Year *	Incremental Impact **
FY 2008	\$ 63.8	\$ 70.6
FY 2009	30.7	-33.1
FY 2010	-11.8	-42.5
FY 2011	-60.0	-48.2
FY 2012	-82.2	-22.2
FY 2013	-75.0	7.2
FY 2014	-92.6	-17.6
FY 2015	-120.0	-27.4
FY 2016	-120.4	-0.5
FY 2017	-127.1	-6.7
Total	\$ -594.6	

* Summarizes Attachment A
** Summarizes Attachment B

Significant changes projected over the ten-year period:

- The cigarette/tobacco tax rate change will increase revenue by a total of \$1.342 billion.
- The Social Security and filing threshold change will reduce revenue \$1.002 billion.
- Changes to Enterprise Zone benefits will reduce revenue \$0.365 billion.

Legislative changes projected to reach full impact in FY 2007 or before are not included in this **Issue Review**. Examples include the Iowa Values Act tax incentives, the insurance premium tax rate reduction, and the phase-out of sales tax on residential energy utility bills.

The Department of Revenue is currently completing a project designed to better estimate the actual impact of legislative changes. That project will include the impact of changes that were fully implemented in FY 2007 and prior years. The Department of Revenue report will be complete in early 2008.

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Estimated Future General Fund Revenue Impact of Enacted Statutory Changes

Impact on General Fund Revenue Each Year Compared to the Level of Revenue Without the Law Change

Legislative Session	Act	Provision	FY 2007 Base	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
2007	SF 128	Cigarette Tax Increase	\$32,500,000	\$133,000,000	\$134,000,000	\$134,000,000	\$134,000,000	\$134,000,000	\$134,000,000	\$134,000,000	\$134,000,000	\$134,000,000	\$134,000,000
2007	SF 128	Tobacco Tax Increase	2,400,000	8,300,000	8,300,000	8,300,000	8,300,000	8,300,000	8,300,000	8,300,000	8,300,000	8,300,000	8,300,000
2007	SF 128	Cigarette Tax-Sales Tax Impact	-1,200,000	-8,000,000	-8,000,000	-8,000,000	-8,000,000	-8,000,000	-8,000,000	-8,000,000	-8,000,000	-8,000,000	-8,000,000
2007	SF 566	Historic Preservation Expansion	0	-300,000	-2,100,000	-9,500,000	-15,100,000	-13,600,000	-13,600,000	-13,600,000	-13,600,000	-13,600,000	-17,600,000
2007	SF 575	Riverboat DCI Fees	0	636,000	636,000	636,000	636,000	636,000	636,000	636,000	636,000	636,000	636,000
2007	SF 580	Tax Amnesty	0	16,000,000	0	0	0	0	0	0	0	0	0
2007	SF 590	Earned Income Credit Expansion	0	-12,620,000	-12,620,000	-12,620,000	-12,620,000	-12,620,000	-12,620,000	-12,620,000	-12,620,000	-12,620,000	-12,620,000
2007	SF 593	Court Costs	0	257,000	486,000	486,000	486,000	486,000	486,000	486,000	486,000	486,000	486,000
2007	SF 601	Judicial Fines Moved to General Fund	0	18,010,000	18,010,000	18,010,000	18,010,000	18,010,000	18,010,000	18,010,000	18,010,000	18,010,000	18,010,000
2007	SF 601	Private School Tuition Credit Expansion	0	0	-2,500,000	-2,500,000	-2,500,000	-2,500,000	-2,500,000	-2,500,000	-2,500,000	-2,500,000	-2,500,000
2007	SF 601	UST Fund Transfer	0	3,000,000	0	0	0	0	0	0	0	0	0
2007	SF 601	Wage-Benefit Tax Credit	0	-10,000,000	-4,000,000	-4,000,000	-4,000,000	-4,000,000	-4,000,000	-4,000,000	-4,000,000	-4,000,000	-4,000,000
2007	HF 319	2007 IRC Update Fiscal Impact	-10,200,000	-13,100,000	-6,900,000	0	0	0	0	0	0	0	0
2007	HF 648	Enterprise Zones, Significant Layoffs	0	0	-1,200,000	-2,900,000	-5,100,000	-7,700,000	-9,100,000	-10,000,000	-10,500,000	-10,500,000	-10,500,000
2007	HF 874	Revenue Auditors Added	0	4,600,000	4,600,000	4,600,000	4,600,000	4,600,000	4,600,000	4,600,000	4,600,000	4,600,000	4,600,000
2007	HF 892	Film Promotion	0	-201,000	-536,000	-786,000	-786,000	-786,000	-786,000	-786,000	-786,000	-786,000	-786,000
2007	HF 912	Web Portal Sales Tax	0	0	-3,600,000	-12,700,000	-22,000,000	-31,300,000	0	0	0	0	0
2007	HF 912	Web Portal Sales Tax	0	0	-270,000	-603,000	-683,000	0	0	0	0	0	0
2007	HF 923	Bank Sales Tax	0	471,000	471,000	471,000	471,000	471,000	471,000	471,000	471,000	471,000	471,000
2006	SF 2147	Enterprise Zones, Location Projects	-250,000	-960,000	-1,500,000	-1,500,000	-590,000	0	0	0	0	0	0
2006	SF 2183	Enterprise Zones, Distribution Centers	0	-17,500,000	-21,600,000	-25,800,000	-29,900,000	-29,900,000	-29,900,000	-29,900,000	-29,900,000	-29,900,000	-29,900,000
2006	SF 2268	Farm Asset Tax Credit	-70,000	-180,000	-250,000	-330,000	-400,000	-470,000	-510,000	-510,000	-510,000	-510,000	-510,000
2006	SF 2390	Telecommunications Sales Tax	-210,000	-2,600,000	-4,300,000	-6,200,000	-8,400,000	-10,500,000	-12,700,000	-12,700,000	-12,700,000	-12,700,000	-12,700,000
2006	SF 2408	Social Security & Senior Filing Threshold	-3,103,000	-33,377,000	-36,965,000	-58,453,000	-73,384,000	-89,940,000	-108,677,000	-132,506,000	-156,160,000	-156,160,000	-156,160,000
2006	SF 2399	Small Wind Energy Expansion	0	0	-2,900,000	-4,500,000	-5,500,000	-5,600,000	-5,600,000	-5,600,000	-5,600,000	-5,500,000	-5,500,000
2006	SF 2409	Private School Tuition	-2,500,000	-5,000,000	-5,000,000	-5,000,000	-5,000,000	-5,000,000	-5,000,000	-5,000,000	-5,000,000	-5,000,000	-5,000,000
2006	HF 2731	Pilot Project Tax Credit	-571,000	-1,206,000	-1,910,000	-2,690,000	-2,771,000	-2,854,000					
2006	HF 2748	Public Health Fees & Licenses	0	-1,252,000	-1,252,000	-1,252,000	-1,252,000	-1,252,000	-1,252,000	-1,252,000	-1,252,000	-1,252,000	-1,252,000
2006	HF 2754	Renewable Fuel Incentives	-740,000	-3,410,000	-8,300,000	-9,990,000	-14,850,000	-13,550,000	-15,690,000	-11,000,000	-11,900,000	-14,900,000	-16,400,000
2006	HF 2789	Judicial Fees & Fines	213,000	3,786,000	3,786,000	3,786,000	3,786,000	3,786,000	3,786,000	3,786,000	3,786,000	3,786,000	3,786,000
2005	SF 390	Small Energy Producers	0	-2,900,000	-4,500,000	-5,500,000	-5,600,000	-5,600,000	-5,600,000	-5,600,000	-5,500,000	-5,500,000	-5,200,000
2005	HF 186	2005 IRC Update	-19,500,000	-9,200,000	-1,400,000	0	0	0	0	0	0	0	0
2005	HF 831	Seed Capital Funds	0	0	-1,000,000	-1,000,000	-1,000,000	-1,000,000	-1,000,000	-1,000,000	-1,000,000	-1,000,000	0
2005	HF 840	Newton Racetrack	-540,000	-800,000	-1,200,000	-1,250,000	-1,250,000	-1,250,000	-1,250,000	-1,250,000	-1,250,000	-1,250,000	-1,250,000
2005	HF 857	Enterprise Zone Housing Credits	-3,600,000	-3,600,000	-3,600,000	-3,600,000	-3,000,000	-900,000	-900,000	-900,000	-900,000	-900,000	-900,000
2005	HF 859	Cooperative Association Fees	0	2,450,000	0	2,450,000	0	2,450,000	0	2,450,000	0	2,450,000	0
2004	HF 2568	Comp. Health Assoc. Coverage	580,000	-540,000	-2,200,000	-3,900,000	-6,600,000	-6,600,000	-6,600,000	-6,600,000	-6,600,000	-6,600,000	-6,600,000
Total			\$-6,791,000	\$63,764,000	\$30,686,000	\$-11,835,000	\$-59,997,000	\$-82,183,000	\$-74,996,000	\$-92,585,000	\$-119,989,000	\$-120,439,000	\$-127,089,000

Estimated Future General Fund Revenue Impact of Enacted Statutory Changes

Incremental Impacts - From Table 1, Current Year Impact Minus Previous Year Impact

Legislative Session	Act	Provision	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
2007	SF 128	Cigarette Tax Increase	\$100,500,000	\$1,000,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2007	SF 128	Tobacco Tax Increase	5,900,000	0	0	0	0	0	0	0	0	0
2007	SF 128	Cigarette Tax-Sales Tax Impact	-6,800,000	0	0	0	0	0	0	0	0	0
2007	SF 566	Historic Preservation Expansion	-300,000	-1,800,000	-7,400,000	-5,600,000	1,500,000	0	0	0	0	-4,000,000
2007	SF 575	Riverboat DCI Fees	636,000	0	0	0	0	0	0	0	0	0
2007	SF 580	Tax Amnesty	16,000,000	-16,000,000	0	0	0	0	0	0	0	0
2007	SF 590	Earned Income Credit Expansion	-12,620,000	0	0	0	0	0	0	0	0	0
2007	SF 593	Court Costs	257,000	229,000	0	0	0	0	0	0	0	0
2007	SF 601	Judicial Fines Moved to General Fund	18,010,000	0	0	0	0	0	0	0	0	0
2007	SF 601	Private School Tuition Credit Expansion	0	-2,500,000	0	0	0	0	0	0	0	0
2007	SF 601	UST Fund Transfer	3,000,000	-3,000,000	0	0	0	0	0	0	0	0
2007	SF 601	Wage-Benefit Tax Credit	-10,000,000	6,000,000	0	0	0	0	0	0	0	0
2007	HF 319	2007 IRC Update Fiscal Impact	-2,900,000	6,200,000	6,900,000	0	0	0	0	0	0	0
2007	HF 648	Enterprise Zones, Significant Layoffs	0	-1,200,000	-1,700,000	-2,200,000	-2,600,000	-1,400,000	-900,000	-500,000	0	0
2007	HF 874	Revenue Auditors Added	4,600,000	0	0	0	0	0	0	0	0	0
2007	HF 892	Film Promotion	-201,000	-335,000	-250,000	0	0	0	0	0	0	0
2007	HF 912	Web Portal Sales Tax	0	-3,600,000	-9,100,000	-9,300,000	-9,300,000	31,300,000	0	0	0	0
2007	HF 912	Web Portal Sales Tax	0	-270,000	-333,000	-80,000	683,000	0	0	0	0	0
2007	HF 923	Bank Sales Tax	471,000	0	0	0	0	0	0	0	0	0
2006	SF 2147	Enterprise Zones, Location Projects	-710,000	-540,000	0	910,000	590,000	0	0	0	0	0
2006	SF 2183	Enterprise Zones, Distribution Centers	-17,500,000	-4,100,000	-4,200,000	-4,100,000	0	0	0	0	0	0
2006	SF 2268	Farm Asset Tax Credit	-110,000	-70,000	-80,000	-70,000	-70,000	-40,000	0	0	0	0
2006	SF 2390	Telecommunications Sales Tax	-2,390,000	-1,700,000	-1,900,000	-2,200,000	-2,100,000	-2,200,000	0	0	0	0
2006	SF 2408	Social Security & Senior Filing Threshold	-30,274,000	-3,588,000	-21,488,000	-14,931,000	-16,556,000	-18,737,000	-23,829,000	-23,654,000	0	0
2006	SF 2399	Small Wind Energy Expansion	0	-2,900,000	-1,600,000	-1,000,000	-100,000	0	0	0	100,000	0
2006	SF 2409	Private School Tuition	-2,500,000	0	0	0	0	0	0	0	0	0
2006	HF 2731	Pilot Project Tax Credit	-635,000	-704,000	-780,000	-81,000	-83,000	2,854,000	0	0	0	0
2006	HF 2748	Public Health Fees & Licenses	-1,252,000	0	0	0	0	0	0	0	0	0
2006	HF 2754	Renewable Fuel Incentives	-2,670,000	-4,890,000	-1,690,000	-4,860,000	1,300,000	-2,140,000	4,690,000	-900,000	-3,000,000	-1,500,000
2006	HF 2789	Judicial Fees & Fines	3,573,000	0	0	0	0	0	0	0	0	0
2005	SF 390	Small Energy Producers	-2,900,000	-1,600,000	-1,000,000	-100,000	0	0	0	100,000	0	300,000
2005	HF 186	2005 IRC Update	10,300,000	7,800,000	1,400,000	0	0	0	0	0	0	0
2005	HF 831	Seed Capital Funds	0	-1,000,000	0	0	0	0	0	0	0	1,000,000
2005	HF 840	Newton Racetrack	-260,000	-400,000	-50,000	0	0	0	0	0	0	0
2005	HF 857	Enterprise Zone Housing Credits	0	0	0	600,000	2,100,000	0	0	0	0	0
2005	HF 859	Cooperative Association Fees	2,450,000	-2,450,000	2,450,000	-2,450,000	2,450,000	-2,450,000	2,450,000	-2,450,000	2,450,000	-2,450,000
2004	HF 2568	Comp. Health Assoc. Coverage	-1,120,000	-1,660,000	-1,700,000	-2,700,000	0	0	0	0	0	0
Total			\$70,555,000	\$-33,078,000	\$-42,521,000	\$-48,162,000	\$-22,186,000	\$7,187,000	\$-17,589,000	\$-27,404,000	\$-450,000	\$-6,650,000

Estimated Future Impact of Enacted Law Changes Impacting the State General Fund
Source Listing for Fiscal Impact Estimates

Session Enacted	Act	Provision	Impact Over 10 Fiscal Years	Fiscal Note Issued	LSA Fiscal Report (Graybook) Section *	Graybook PDF Section Page Number *	Notes and Modifications
2007	SF 128	Cigarette Tax Increase	\$1,339,000,000	3/13/2007	Ways & Means Acts	Page 3	Minor modifications have been made to the original Fiscal Note Estimate
2007	SF 128	Tobacco Tax Increase	83,000,000	3/13/2007	Ways & Means Acts	Page 3	Minor modifications have been made to the original Fiscal Note Estimate
2007	SF 128	Cigarette Tax-Sales Tax Impact	-80,000,000	3/13/2007	Ways & Means Acts	Page 3	Minor modifications have been made to the original Fiscal Note Estimate
2007	SF 566	Historic Preservation Expansion	-112,600,000	4/5/2007	Ways & Means Acts	Page 12	
2007	SF 575	Riverboat DCI Fees	6,360,000	None	Subcommittee Approp. Acts	Page 361	
2007	SF 580	Tax Amnesty	16,000,000	4/9/2007	Ways & Means Acts	Page 15	
2007	SF 590	Earned Income Credit Expansion	-126,200,000	4/18/2007	Ways & Means Acts	Page 17	Modified from Graybook based on new Department of Revenue estimates.
2007	SF 593	Court Costs	4,631,000	None	Ways & Means Acts	Page 19	
2007	SF 601	Judicial Fines Moved to General Fund	180,100,000	None	Misc. Appropriations Acts	Page 124	
2007	SF 601	Private School Tuition Credit Expansion	-22,500,000	None	Misc. Appropriations Acts	Page 147	
2007	SF 601	UST Fund Transfer	3,000,000	None	Misc. Appropriations Acts	Page 93	
2007	SF 601	Wage-Benefit Tax Credit	-46,000,000	None	Misc. Appropriations Acts	Page 131	
2007	HF 319	2007 IRC Update Fiscal Impact	-20,000,000	2/14/2007	Ways & Means Acts	Page 24	Federal Deductibility impacts due to federal law changes are not included in the numbers.
2007	HF 648	Enterprise Zones, Significant Layoffs	-67,500,000	3/14/2007	Ways & Means Acts	Page 28	
2007	HF 874	Revenue Auditors Added	46,000,000	None	Subcommittee Approp. Acts	Page 20	
2007	HF 892	Film Promotion	-7,025,000	4/5/2007	Ways & Means Acts	Page 38	
2007	HF 912	Web Portal Sales Tax	-69,600,000	4/18/2007	Ways & Means Acts	Page 45	
2007	HF 912	Web Portal Sales Tax	-1,556,000	4/25/2007	Ways & Means Acts	Page 45	
2007	HF 923	Bank Sales Tax	4,710,000	4/27/2007	Ways & Means Acts	Page 49	
2006	SF 2147	Enterprise Zones, Location Projects	-4,550,000	3/10/2006	Ways & Means Acts	Page 732	
2006	SF 2183	Enterprise Zones, Distribution Centers	-274,200,000	4/17/2006	Ways & Means Acts	Page 734	
2006	SF 2268	Farm Asset Tax Credit	-4,180,000	3/19/2006	Ways & Means Acts	Page 738	
2006	SF 2390	Telecommunications Sales Tax	-95,500,000	3/28/2006	Ways & Means Acts	Page 741	Impact adjusted based on first year (FY 2007) rebate amount.
2006	SF 2408	Social Security & Senior Filing Threshold	-1,001,782,000	None	Ways & Means Acts	Page 747	Modified from original Fiscal Note based on new Department of Revenue estimates.
2006	SF 2399	Small Wind Energy Expansion	-46,300,000	4/3/2006	Ways & Means Acts	Page 744	Impact delayed one year from original estimates.
2006	SF 2409	Private School Tuition	-50,000,000	5/2/2006	Ways & Means Acts	Page 749	
2006	HF 2731	Pilot Project Tax Credit	-11,431,000	3/28/2006	Ways & Means Acts	Page 753	
2006	HF 2748	Public Health Fees & Licenses	-12,520,000	3/21/2006	Ways & Means Acts	Page 755	
2006	HF 2754	Renewable Fuel Incentives	-119,990,000	4/12/2007	Ways & Means Acts	Page 757	
2006	HF 2789	Judicial Fees & Fines	37,860,000	None	Misc. Appropriations Acts	Page 607	
2005	SF 390	Small Energy Producers	-51,500,000	3/28/2005	Ways & Means Acts	Page 804	Impact delayed one year from original estimates.
2005	HF 186	2005 IRC Update	-10,600,000	2/14/2005	Ways & Means Acts	Page 780	Federal deductibility impacts due to federal law changes are not included in the numbers.
2005	HF 831	Seed Capital Funds	-8,000,000	4/5/2005	Ways & Means Acts	Page 791	
2005	HF 840	Newton Racetrack	-12,000,000	4/12/2007	Ways & Means Acts	Page 792	Impact adjusted based on first year (FY 2007) rebate amount.
2005	HF 857	Enterprise Zone Housing Credits	-19,200,000	4/18/2007	Ways & Means Acts	Page 794	
2005	HF 859	Cooperative Association Fees	12,250,000	None	Ways & Means Acts	Page 795	
2004	HF 2568	Comp. Health Assoc. Coverage	-52,840,000	None	Ways & Means Acts	Page 620	
Total			<u>\$-594,663,000</u>				

* The Fiscal Report Document (also called the Graybook) is issued after each Session by the Legislative Services Agency. The report is available online and is available in sections. The page number refers to the page number of the specified section online Pdf document.